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TO AMEMBASSY ABU DHABI PRIORITY

AMEMBASSY DAMASCUS PRIORITY

AMEMBASSY DUBLIN PRIORITY

USLO PEKING PRIORITY

AMEMBASSY PORT LOUI PRIORITY

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PART TWO OF THREE PARTS

ANSWER: THERE IS A DIFFERENCE OF VIEW BETWEEN THE UNITED STATES AND MANY LATIN AMERICAN COUNTRIES ON THE REQUIREMENTS OF INTERNATIONAL LAW RESPECTING TREATMENT OF FOREIGN INVESTORS. THIS IS A LONGSTANDING DIFFERENCE WHICH REFLECTS VERY FUNDAMENTAL POSITIONS ON BOTH SIDES. IT WOULD NOT BE REALISTIC NOR IS IT NECESSARY TO RESOLVE THIS ISSUE IN ORDER TO DEVELOP A USEFUL BALANCED BASIC CODE FOR GOVERNMENT ENTERPRISE RELATIONS.

QUESTION: WOULD THE GUIDELINES BE VOLUNTARY OR BINDING ON THE TRANSNATIONAL CORPORATIONS?

ANSWER: WE BELIEVE THE GUIDELINES MUST BE INDICATIVE RATHER THAN MANDATORY. THE PRIMARY RESPONSIBILITY FOR REGULATING THE ACTIVITIES OF TNE'S MUST REMAIN WITH THE GOVERNMENTS OF THE COUNTRIES IN WHICH THEY OPERATE -- AND MUST BE EXERCISED IN ACCORDANCE WITH INTERNATIONAL LAW. AN INTERNATIONALLY AGREED SET OF GUIDELINES, HOWEVER, WOULD BE IMPORTANT IN SETTING A MORE CERTAIN CONTEXT IN WHICH GOVERNMENTS AND ENTERPRISES HAVE A CLEARER UNDERSTANDING OF THE EXPECTATIONS EACH HAS REGARDING THE OTHER'S BEHAVIOR.

HARMONIZATION OF TAX TREATMENT
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QUESTION: WHAT ROLE DO TAX TREATIES HAVE IN THE HARMONIZATION OF THE TREATMENT OF FOREIGN INVESTMENT?

ANSWER: TAX TREATIES PROVIDE FOR ARRANGEMENTS TO AVOID DOUBLE TAXATION AND, IN GENERAL, MAKE THE TAX ASPECTS OF FOREIGN

INVESTMENT MORE CERTAIN AND PREDICTABLE. TAX CONSIDERATIONS ARE IMPORTANT ELEMENTS IN INVESTMENT DECISIONS AND THE PROVISION OF A MORE CERTAIN AND STABLE TAX ENVIRONMENT THROUGH AN EXPANDED NETWORK OF TAX TREATIES CAN HAVE A SIGNIFICANT POSITIVE IMPACT ON INVESTMENT FLOWS.

QUESTION: HOW WOULD TAX TREATIES MITIGATE TRANSFER PRICE PROBLEMS?

ANSWER: TAX TREATIES GENERALLY PROVIDE FOR THE EXCHANGE UNDER SPECIFIED CONDITIONS OF INFORMATION BETWEEN THE TAXING AUTHORITIES OF THE COUNTRIES WHICH ARE PARTIES TO THE AGREEMENT. THIS CAN BE QUITE USEFUL IN IDENTIFYING ANY IMPROPER MANIPULATIONS OF TRANSFER PRICES OR OTHER TAX ABUSES, SHOULD THERE BE SUCH.

QUESTION: HOW MANY TAX TREATIES DO WE CURRENTLY HAVE?

ANSWER: WE CURRENTLY HAVE TWENTY-TWO TAX TREATIES OF WHICH ABOUT ONE-HALF ARE WITH DEVELOPING COUNTRIES. WE HAVE INDICATED OUR WILLINGNESS TO NEGOTIATE ADDITIONAL TREATIES WITH COUNTRIES THAT ARE INTERESTED IN DOING SO.

INVESTMENT DISPUTE SETTLEMENT

QUESTION: WHAT IS THE INTERNATIONAL CENTER FOR SETTLEMENT OF INVESTMENT DISPUTES (ICSID)?

ANSWER: ICSID, A MEMBER OF THE WORLD BANK GROUP, IS THE MAJOR EXISTING INTERNATIONAL INSTITUTION DESIGNED SPECIFICALLY FOR SETTLEMENT OF INVESTMENT DISPUTES. ITS FACILITIES ARE FLEXIBLE, ENCOMPASSING BOTH ARBITRATION AND CONCILIATION. ICSID PRESENTLY HAS 71 SIGNATORIES, ABOUT TWO-THIRDS OF WHICH ARE DEVELOPING COUNTRIES. THE US SIGNED THE ICSID CONVENTION IN AUGUST 1965 AND IT ENTERED INTO FORCE THE FOLLOWING YEAR.

QUESTION: WHAT IS US POLICY ON INTERNATIONAL ARBITRATION?

ANSWER: WE SEE AGREEMENT IN ADVANCE ON DISPUTE SETTLEMENT MECHANISMS AND THEIR SUBSEQUENT USE, IF NECESSARY, AS A DESIRABLE MEANS OF RESOLVING AND DEPOLITICIZING DISAGREEMENTS BETWEEN FOREIGN INVESTORS AND HOST GOVERNMENTS.

MULTILATERAL INVESTMENT INSURANCE

QUESTION: THE SECRETARY REFERRED TO A MULTILATERAL UNCLASSIFIED

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INSURANCE PROGRAM FOR FOREIGN PRIVATE INVESTORS. HAS NOT

THE WORLD BANK CONSIDERED AND REJECTED PROPOSALS FOR SUCH A PROGRAM?

ANSWER: THE WORLD BANK DID CONSIDER IN GREAT DETAIL A PROPOSAL FOR AN INTERNATIONAL INVESTMENT INSURANCE AGENCY DURING THE EARLY 1970'S, BUT THE PROPOSAL DID NOT GO FORWARD. THERE IS A GROWING RECOGNITION OF THE NEED FOR ENCOURAGING FOREIGN INVESTMENT IN DEVELOPING COUNTRIES THAT WELCOME IT AND SEEK INCREASED PRIVATE CAPITAL FROM ABROAD AS A SIGNIFICANT PART OF THEIR DEVELOPMENT PLANS.

TRADE AND DEVELOPMENT

QUESTION: WHAT ARE THE SECRETARY'S PROPOSALS TO MAKE THE

TRADING SYSTEM BETTER SERVE THE INTERESTS OF DEVELOPMENT?

ANSWER: THE SECRETARY PROPOSED:

--A FUNDAMENTAL IMPROVEMENT IN THE RELATIONSHIP OF THE DEVELOPING COUNTRIES TO THE WORLD TRADING SYSTEM (THIS WOULD INVOLVE VARIOUS FORMS OF PREFERENTIAL TREATMENT FOR THE TRADE OF DEVELOPING COUNTRIES; THE PREFERENCES WOULD BE PHASED OUT GR

DUALY AS THE DEVELOPING COUNTRIES PROGRESS).

-- TRADING OPPORTUNITIES FOR THE DEVELOPING COUNTRIES IN THE MANUFACTURING SECTOR (THE U.S. GENERALIZED SYSTEM OF PREFERENCES WILL GO INTO EFFECT ON JANUARY 1, 1976).

-- --ENCOURAGEMENT TO THE PROCESSING OF THEIR RAW MATERIALS IN THE DEVELOPING COUNTRIES (THE U.S. WILL MAKE A SPECIAL EFFORT IN THE MULTILATERAL TRADE NEGOTIATIONS TO REDUCE TARIFF BARRIERS ON PROCESSED GOODS).

-- THE RECIPROCAL EXCHANGE OF COMMITMENTS IN THE MULTILATERAL TRADE NEGOTIATIONS ON ACCESS TO SUPPLY AND THE NEGOTIATION OF IMPROVED RULES GOVERNING THE USE OF EXPORT RESTRAINTS.

-- ADAPTATION OF THE RULES ON NON-TARRIFF BARRIERS TO THE SITUATION OF DEVELOPING COUNTRIES.

-- EARLY AGREEMENT ON REDUCING BARRIERS TO TROPICAL PRODUCTS THAT ARE THE MAJOR SOURCE OF LDC EARNINGS.

CHANGES IN WORLD TRADING SYSTEM

QUESTION: THE SECRETARY SUGGESTS THAT THERE SHOULD BE A FUNDAMENTAL CHANGE IN THE WORLD TRADING SYSTEM TO PROVIDE VARIOUS FORMS OF PREFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES. BUT HE ADDS THAT THIS

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TREATMENT SHOULD GRADUALLY BE MODIFIED FOR A PARTICULAR LDC AS IT ATTAINS HIGHER LEVELS OF DEVELOPMENT UNTIL IT REACHES EQUALITY OF TRATMENT WITH INDUSTRIALIZED COUNTRIES. IS THIS A NEW IDEA?

ANSWER: THE IDEA IS NOT NEW BUT WE HAVE NOT PREVIOUSLY ENUNCIATED IT AS US POLICY. ITS PURPOSE IS TO MAKE CLEAR THAT WHILE THE US FULLY SUPPORTS THE IDEA OF "SPECIAL AND DIFFERENTIAL TREATMENT" OF DEVELOPING COUNTRIES IN THE INTERNATIONAL TRADING STRUCTURE IN THE INTEREST OF THEIR DEVELOPMENT, WE BELIEVE SPECIFIC PROPOSALS OF THIS KIND SHOULD HAVE BUILT-IN MECHANISMS TO ASSURE THE GRADUAL ASSUMPTION BY THE DEVELOPING COUNTRIES OF FULL OBLIGATIONS AS THEIR ECONOMIES DEVELOP.

QUESTION: WHAT KINDS OF PREFERENTIAL AND SPECIAL TREATMENT DOES THE SECRETARY HAVE IN MIND?

ANSWER: THESE INCLUDE:

-- TARIFF PREFERENCES FOR THE EXPORTS BY DEVELOPING COUNTRIES OF MANUFACTURED GOODS (AND SOME OTHER PRODUCTS) UNDER THE GENERALIZED SYSTEM OF PREFERENCES (GSP) THAT WILL BECOME OPERATIVE ON JANUARY 1, 1976.

PROVISION FOR SPECIAL TREATMENT OF DEVELOPING COUNTRIES UNDER RULES ON NON-TARIFF BARRIERS THAT WILL BE NEGOTIATED

IN THE MULTILATERAL TRADE NEGOTIATIONS. SPECIAL TREATMENT MAY BE FEASIBLE IN SUCH MATTERS AS COUNTERVAILING DUTIES AND SUBSIDIES, AND GOVERNMENT PROCUREMENT.

-- REQUESTS FOR RECIPROCITY FROM DEVELOPING COUNTRIES IN WAYS THAT WILL BE CONSISTENT WITH THEIR INDIVIDUAL DEVELOPMENT, FINANCIAL, AND TRADE NEEDS.

GENERALIZED SYSTEM OF PREFERENCES (GSP)

QUESTION: WHAT IS THE CURRENT STATUS OF THE PROGRAM FOR GENERALIZED TARIFF PREFERENCES FOR DEVELOPING COUNTRIES?

ANSWER: THE GENERALIZED SYSTEM OF PREFERENCES WAS AUTHORIZED BY THE TRADE ACT OF 1974. WE HAVE ANNOUNCED THE COUNTRIES DESIGNATED AS BENEFICIARIES AS WELL AS THOSE CURRENTLY UNDER CONSIDERATION FOR SUCH DESIGNATION. WE HAVE ALSO PROPOSED A LIST OF PRODUCTS TO BE ACCORDED PREFERENTIAL TARIFF TREATMENT, AND PUBLIC HEARINGS WERE HELD REGARDING THIS LIST BOTH BY THE US INTERNATIONAL TRADE COMMISSION AND THE ADMINISTRATION. LATER IN THE YEAR WE WILL HAVE A FIRM PROGRAM INCLUDING A FINAL LIST OF PRODUCTS AND IMPLEMENTING UNCLASSIFIED

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REGULATIONS. THERE WILL BE A PRESIDENTIAL PROCLAMATION ON THESE MATTERS. WE EXPECT TO BEGIN TO OPERATE THIS SYSTEM ON JANUARY 1, 1976.

QUESTION: HOW WILL THE GENERALIZED SYSTEM OF PREFERENCES WORK WHEN IMPLEMENTED?

ANSWER: ALL PREFERENTIAL TARIFFS ON PRODUCTS INCLUDED IN THE SYSTEM ARE SET AT ZERO FOR EXPORTS FROM ELIGIBLE DEVELOPING COUNTRIES. SHOULD A BENEFICIARY COUNTRY BECOME "COMPETITIVE" IN A PARTICULAR PRODUCT, IT WOULD NO LONGER REQUIRE PREFERENTIAL TREATMENT ON THAT PRODUCT. A COUNTRY IS PRESUMED TO BE COMPETITIVE IN A PRODUCT WHEN ITS EXPORTS OF THAT PRODUCT TO THE US EXCEED A CEILING INITIALLY OF 500 MILLION DOLLARS OR 50 PERCENT OF TOTAL US IMPORTS OF THAT PRODUCT IN A CALENDAR YEAR.

QUESTION: CAN YOU ELABORATE ON THE SECRETARY'S STATEMENT REGARDING CONSULTATIONS AND PRACTICAL ASSISTANCE TO ENABLE BENEFICIARY COUNTRIES TO UTILIZE THE GENERALIZED SYSTEM OF PREFERENCES?

ANSWER: IF OUR SYSTEM IS TO BE EFFECTIVE, GOVERNMENT OFFICIALS, PRODUCERS AND EXPORTERS IN THE BENEFICIARY DEVELOPING COUNTRIES MUST BE MADE AWARE OF THE PROGRAM AND UNDERSTAND ITS PROVISIONS. WE PLAN TO DISSEMINATE INFORMATION REGARDING OUR GSP IN INTERNATIONAL FORUMS SUCH AS UNCTAD, THE GATT/UNCTAD-SPONSORED INTERNATIONAL TRADE CENTER IN GENEVA, AND THE OECD; THROUGH BILATERAL CONSULTATIONS; AND THROUGH REGIONAL CONSULTATIONS IN ORGANIZATIONS SUCH AS THE OAS. ADDITIONALLY, OUR EMBASSIES WILL DISSEMINATE DETAILED INFORMATION ON THE PROGRAM.

QUESTION: WHAT IS THE STATUS OF THE GREEN AMENDMENT, WHICH WOULD PERMIT THE PRESIDENT TO WAIVE THE PROVISION OF THE TRADE ACT OF 1974 THAT

EXCLUDES OPEC COUNTRIES FROM THE BENEFITS OF GSP
FOR THOSE OPEC COUNTRIES WHICH DID NOT PARTICIPATE
IN THE OIL EMBARGO?

ANSWER: SENIOR ADMINISTRATION OFFICIALS HAVE TESTIFIED IN
SUPPORT OF THIS AMENDMENT WHICH REMAINS IN COMMITTEE IN
THE HOUSE. WE CONTINUE TO SUPPORT THE AMENDMENT BUT RECOG
NIZE THAT A RISE IN OIL PRICES BY OPEC WOULD JEOPARDIZE THE
CHANCES OF ITS PASSAGE.

TARIFF ESCALATION

QUESTION: WHAT IS THE "TARIFF ESCALATION" WHICH DISADVAN-
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TAGES DEVELOPING COUNTRIES? DO US TARIFF RATES
"ESCALATE"?

ANSWER: THE STRUCTURE OF TARIFFS OF MANY COUNTRIES IS SUCH
THAT THERE ARE LOW OR NO DUTIES ON RAW MATERIALS AND HIGHER
DUTIES ON THE PRODUCTS PROCESSED FROM THSOE RAW MATERIALS.
THIS PROVIDES A DISINCENTIVE FOR THE PROCESSING TO BE
UNDERTAKEN AT THE SOURCES OF THE RAW MATERIAL. US AVERAGE
TARIFF RATES -- INCLUDING ONLY DUTIABLE PRODUCTS -- ARE
4.4 PERCENT FOR NON-AGRICULTURAL PRIMARY RODUCTS AND 9.5
PERCENT FOR SEMI-FINISHED GOODS, INCLUDING GOODS MADE FROM
IMPORTED PRIMARY PRODUCTS.

WE ARE PREPARED TO JOIN WITH OTHER DEVELOPED
COUNTRIES TO MAKE A SPECIAL EFFORT IN THE MTN TO REDUCE
THESE BARRIERS ON AN MFN BASIS.

QUESTION: WHAT CONCESSIONS WOULD THE USSEEK FROM LDCS
IN EXCHANGE FOR US AGREEMENT TO CUT TARRIFS
ON PROCESSED GOODS OF INTEREST TO THEM?

ANSWER: WE CANNOT PREJUDGE THE OUTCOME OF NEGOTIATIONS WITH
SPECIFIC COUNTRIES AND ON SPECIFIC ITEMS. HOWEVER, THERE
ARE MANY AREAS IN WHICH DEVELOPING COUNTRIES CAN MAKE
CONTRIBUTIONS TO THE NEGOTIATIONS CONSISTENT WITH THEIR
DEVELOPMENT STATUS. THEY COULD AGREE NOT TO WITHHOLD OR
INTERFERE WITH THE NORMAL SUPPLY OF THE MATERIALS THEY
PROCESS, AND JOIN US IN NEOGATIATING ARRANGEMENTS TO
M

INTAIN THE FLOW OF RAW MATERIALS IN WORLD TRADE WITHOUT
CREATING ARTIFICIAL SCARCITIES TO FORCE UP PRICES.
THEY COULD ALSO ADOPT LESS BURDENSOME CUSTOMS PROCEDURES AND
LICENSING REQUIREMENTS. REDUCTIONS IN HIGH TARIFFS IN
DEVELOPING COUNTRIES WOULD IN MANY CASES NOT ONLY CONSTITUTE
A FORM OF RECIPROCITY BUT ALSO BENEFIT THE EFFICIENCY OF THE
ECONOMY OF THE DEVELOPING COUNTRIES CONCERNED.

QUESTION: IN THE TRADE NEGOTIATIONS THE US PROPOSES TO
NEGOTIATE RUELES GOVERNING THE USE OF EXPORT
RESTRAINTS MUCH ALONG THE LINES OF EXISTING
RULES THAT GOVERN IMPORT RESTRAINTS. IS THE
WAY PREPARED TO LIMIT THE USE OF EXPORT
CONTROLS IN PERIODS OF SHORTAGE?

ANSWER: WE HAVE STATED OUR WILLINGNESS IN PRINCIPLE TO MAKE
AND TO REQUEST SPECIFIC SUPPLY ACCESS COMMITMENTS AS PART

OF THE RECIPROCAL EXCHANGE OF CONCESSIONS WHICH WILL BE
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TAKING PLACE IN A NUMBER OF DIFFERENT WAYS WITHIN THE MTN
FRAMEWORK. WE HAVE FURTHER STATED OUR INTEREST IN
NEGOTIATING RULES GOVERNING EXPORT RESTRICTIONS. IN RECENT
YEARS COUNTRIES HAVE RESORTED TO EXPORT CONTROLS FOR
VARIOUS REASONS INCLUDING SHORT SUPPLY, FOREIGN POLICY, OR
TO ENCOURAGE LOCAL PROCESSING. THEIR INJURED TRADING
PARTNERS HAVE HAD NO RECOURSE UNDER EXISTING TRADE RULES.
THE ABSENCE OF AGREED RULES GOVERNING EXPORT RESTRICTIONS IS
A SERIOUS DEFICIENCY OF THE TRADING SYSTEM THAT NEEDS
REMEDYING.

TRADE IN TROPICAL PRODUCTS

QUESTION: THE US SUPPORTS EARLY AGREEMENT IN THE MTN
ON TROPICAL PRODUCTS. WHAT ARE THE PRODUCTS
THAT ARE CONSIDERED "TROPICAL PRODUCTS" IN THE
MTN?

ANSWER: AS A GENERAL DEFINITION, WE WOULD CONSIDER AS
"TROPICAL" THOSE ITEMS WHICH CAN ONLY BE PRODUCED IN A
TROPICAL CLIMATE, AND NOT IN THE COUNTRIES OF THE TEMPERATE
ZONE. EXAMPLES OF SUCH PRODUCTS ARE COFFEE, COCOA, TEA,
BANANAS, SPICES, TROPICAL FRUIT, ETC. WE WOULD ALSO
EXPECT TO INCLUDE IN THIS DEFINITION THE CLOSE DERIVATIVE OF
THESE RAW PRODUCTS (SUCH AS COCOA BUTTER AND POWDER).
HOWEVER, THIS DEFINITION WOULD NOT EXTEND TO FINISHED
MANUFACTURED PRODUCTS WHICH ARE FABRICATED FROM THESE
ITEMS (FOR EXAMPLE, AUTOMOBILE TIRES MADE FROM NATURAL
RUBBER).

QUESTION: IS THERE A LIST OF THE TROPICAL PRODUCTS ON
WHICH THE US IS READY TO MAKE CONCESSION?

ANSWER: NO. THE MULTILATERAL TRADE NEGOTIATIONS HAVE NOT
YET REACHED THE POINT OF DISCUSSING SPECIFIC PRODUCTS. AT
THIS POINT WE ARE ANALYZING THE REQUESTS MADE TO US BY THE
LDC'S. WE EXPECT TO HOLD BOTH BILATERAL AND MULTILATERAL
DISCUSSIONS WITH THE REQUESTING COUNTRIES BEFORE MAKING A
FINAL DECISION ON THE US OFFER.

QUESTION: DON'T MOST TROPICAL PRODUCTS ENTER THE US
MARKET DUTY-FREE?

ANSWER: IT IS TRUE THAT MANY TROPICAL PRODUCTS HAVE LOW OR
ZERO DUTY; COFFEE BEANS, FRESH BANANAS, COCOA BEANS ARE
EXAMPLES OF DUTY-FREE TROPICAL ITEMS OF GREAT IMPORTANCE
TO LDC TRADE. HOWEVER, THERE ARE A SIGNIFICANT NUMBER OF
DUTIABLE ITEMS; THESE TEND TO BE PRODUCTS WHICH HAVE
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SOME DEGREE OF PROCESSING. FOR EXAMPLE, COCOA ENTERS
DUTY-FREE BUT COCOA CAKE AND COCOA BUTTER ARE DUTIABLE.
SIMILARLY, FRESH BANANAS HAVE NO TARIFFS SHOULD BE
BENEFICIAL TO LDCS, NOT ONLY IN TERMS OF A GENERAL IMPETUS

TO TRADE BUT ALSO IN STIMULATING A GREATER DEGREE OF LOCAL PROCESSING IN THE LDCS.

QUESTION: AREN'T MOST PROCESSED OR SEMI-PROCESSED TROPICAL PRODUCTS ALREADY DUTY-FREE UNDER THE US GENERALIZED SYSTEM OF PREFERENCES (GSP)?

ANSWER: YES, MANY SUCH ITEMS ARE EXPECTED TO BE INCLUDED IN THE GSP. HOWEVER, THE GSP IS A TEMPORARY (53-YEAR) PROGRAM WHICH IS SUBJECT TO CERTAIN CONSTRAINTS (I.E. THE "COMPETITIVE NEED" FORMULA). MFN REDUCTIONS WOULD STILL BE VALUABLE TO LDCS, SINCE SUCH CONCESSIONS WOULD BE PERMANENT AND BOUND UNDER GATT RULES, WHICH MEANS THEY COULD NOT BE WITHDRAWN EXCEPT THROUGH GRANTING INTERESTED SUPPLIERS APPROPRIATE COMPENSATION.

COMMODITIES

QUESTION: WHAT ARE THE SECRETARY'S PROPOSALS FOR ACTION ON COMMODITIES?

ANSWER: HIS PROPOSALS INCLUDE:

- AN INTERNATIONAL SYSTEM OF GRAIN RESERVES TO PROVIDE REASONABLE STABILITY IN THE AVAILABILITY OF FOOD IN COMMERCIAL MARKETS;
- A CONSUMER-PRODUCER GROUP FOR EVERY KEY RAW MATERIAL, TO DISCUSS HOW TO PROMOTE THE EFFICIENCY, GROWTH, AND STABILITY OF ITS MARKET, WITH PRIORITY FOR THE ESTABLISHMENT OF A CONSUMER-PRODUCER GROUP ON COPPER;
- US MEMBERSHIP IN THE INTERNATIONAL TIN AGREEMENT, SUBJECT TO RATIFICATION BY THE CONGRESS;
- ACTIVE US PARTICIPATION IN THE CURRENT COFFEE AGREEMENT NEGOTIATIONS, AND IN THE FORTHCOMING NEGOTIATIONS ON COCOA AND SUGAR, WITH A VIEW TO JOINING THEM IF THE AGREEMENTS ARE SATISFACTORY;
- EXPANDED INVESTMENT IN NATURAL RESOURCE DEVELOPMENT TO ENSURE A RELIABLE AND GROWING SUPPLY OF CRITICAL RAW MATERIALS, WITH A MAJOR ROLE FOR THE WORLD BANK GROUP IN THIS EFFORT;
- US CONTRIBUTION TO THE UN REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION WHICH IS DESIGNED TO HELP THE DEVELOPING COUNTRIES LOCATE AND EVALUATE THEIR MINERAL

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AND OTHER NATURAL RESOURCES.

INTERNATIONAL SYSTEM OF GRAIN RESERVES

QUESTION: ONE OF THE PRINCIPLES LAID DOWN BY THE SECRETARY TO GOVERN AN INTERNATIONAL GRAIN RESERVES SYSTEM IS ASSURED ACCESS TO SUPPLY FOR PARTICIPANTS.

WHAT DOES ASSURED ACCESS MEAN AND HOW WOULD THIS DIFFER FROM TREATMENT FOR NON-PARTICIPANTS?

ANSWER: FIRST, WE SEE A FOOD RESERVE AGREEMENT AS PROVIDING A CONTEXT IN WHICH COORDINATED ACTION BY THE PRINCIPAL PRODUCING AND CONSUMING COUNTRIES COULD BE TAKEN TO MAXIMIZE WORLD FOOD AVAILABILITY WHEN THE SUPPLY SITUATION BECOMES TIGHT.

SECONDLY, IN SERIOUS SHORTAGE SITUATIONS PARTI-

CIPANTS WOULD HAVE ASSURED ACCESS TO RESERVE STOCKS; NON-PARTICIPANTS WOULD HAVE NO SUCH ASSURANCE. IN THE EXTREME EVENT THAT A SERIES OF WORLD CROP DISASTERS REDUCED TOTAL FOOD AVAILABILITY BELOW CURRENT WORLD NEEDS, PARTICIPANTS COMPLYING WITH THE TERMS OF A RESERVES AGREEMENT WOULD BE GIVEN ACCESS TO THE AVAILABLE SUPPLY.

QUESTION: WOULD WE EXPECT TO GET MORE AND BETTER CROP PRODUCTION INFORMATION FROM THE SOVIET UNION UNDER THE PROVISIONS OF A RESERVES AGREEMENT TO WHICH IT WAS A PARTY?

ANSWER: YES, WE WOULD EXPECT THAT PARTIES TO A RESERVES AGREEMENT WOULD PROVIDE THE BEST AVAILABLE INFORMATION ABOUT THEIR OWN GRAIN PRODUCTION.

QUESTION: HOW WOULD THE SPECIAL HELP FOR LDCS TO HOLD RESERVES BE GIVEN?

ANSWER: WE RECOGNIZE THAT FOOD DEFICIT DEVELOPING COUNTRIES PARTICIPATING IN A RESERVES AGREEMENT MAY NEED ASSISTANCE IN MEETING RESERVE TARGETS. FOOD AID WOULD BE ONE MEANS FOR PROVIDING RESERVE COMMODITIES ON CONCESSIONAL TERMS; DIRECT FINANCIAL ASSISTANCE BY NON-FOOD EXPORTING DEVELOPED COUNTRIES WOULD BE ANOTHER. THESE, AND PERHAPS OTHER APPROACHES TO THIS PROBLEM, WILL NEED TO BE CONSIDERED IN NEGOTIATING AN AGREEMENT.

QUESTION: WHAT ARE THE PRINCIPLES IN THE US APPROACH TO FOOD SECURITY WHICH SECRETARY KISSINGER HAS SAID COULD APPLY TO OTHER COMMODITIES?

ANSWER: FOR MANY COMMODITIES, AN EFFORT AIMED AT INCREASING ASSURANCE OF THE AVAILABILITY OF SUPPLY WOULD NEED TO UNCLASSIFIED

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ADDRESS THE ISSUE OF STOCKHOLDING IN SOME WAY. IN CONSIDERING A STOCKS SOLUTION TO THE PROBLEM OF SUPPLY STABILIZATION, THE QUESTIONS OF THE CONDITIONS UNDER WHICH STOCKS WOULD BE ACQUIRED AND RELEASED, ARRANGEMENTS FOR HOLDING STOCKS AND PREFERENTIAL TREATMENT FOR PARTICIPANTS IN A STOCKS ARRANGEMENT WOULD NEED TO BE CONSIDERED.

THESE ARE THE QUESTIONS WHICH HAVE BEEN ADDRESSED IN THE US APPROACH TO FOOD SECURITY. OF COURSE, THE SPECIFIC RESOLUTION OF THESE QUESTIONS COULD DIFFER MARKEDLY FROM CASE TO CASE.

BUFFER STOCKS

QUESTION: THE SECRETARY ENDORSED STOCKING ARRANGEMENTS AS THE MOST EFFECTIVE TECHNIQUE TO MODERATE COMMODITY MARKET INSTABILITY. DO WE FAVOR BUFFER STOCK FOR ALL COMMODITIES?

ANSWER: NO, WE RECOGNIZE THAT EACH COMMODITY HAS ITS OWN PARTICULAR CHARACTERISTICS AND PROBLEMS PECULIAR TO IT. FOR SOME COMMODITIES, THE DOMINANT PROBLEM IS NOT INSTABILITY BUT COMPETITION FROM SYNTHETICS. FOR OTHERS, IT MAY BE DECLINING OR SLUGGISH SECULAR DEMAND. FOR YET OTHERS IT MAY BE OVER-PRODUCTION AS NEW SUPPLIERS COME ONTO THE MARKET. THE REMEDIES FOR THESE PROBLEMS WOULD NOT BE BUFFER STOCKS

BUT OTHER MEASURES INCLUDING DIVERSIFICATION, IMPROVED PRODUCTIVITY TO ENABLE PRODUCERS TO COMPETE ON A PRICE AND QUALITY BASIS, ETC. MOREOVER, SOME COMMODITIES, SUCH AS BANANAS CANNOT BE STORED.

HOWEVER, AS A GENERAL MATTER WE BELIEVE BUFFER STOCK ARRANGEMENTS HAVE IMPORTANT ADVANTAGES OVER OTHER COMMODITY STABILIZATION ARRANGEMENTS. THEY DO NOT CONSTRAIN PRODUCTION BUT SMOOTH IT, SO THAT CAPACITY NEED NOT BE IDLE WHEN DEMAND IS DEPRESSED OR OVERTAXED WHEN DEMAND PEAKS. THEY PERMIT LOWER-COST PRODUCERS TO EXPAND OUTPUT AND THE PATTERN OF PRODUCTION TO SHIFT IN RESPONSE TO CHANGING COSTS. THEY DO, HOWEVER, INVOLVE SUBSTANTIAL INITIAL INVESTMENT COSTS WHICH MAY OR MAY NOT YIELD A FINANCIAL RETURN OVER OPERATING COSTS.

TIN AGREEMENT

QUESTION THE SECRETARY ANNOUNCED US INTENTION TO JOIN THE INTERNATIONAL TIN AGREEMENT, SUBJECT TO CONGRESSIONAL CONSULTATION AND SENATE RATIFICATION. WHAT IS THE STATUS OF UNCLASSIFIED

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THAT AGREEMENT.

ANSWER: A NEW INTERNATIONAL TIN AGREEMENT -- THE FIFTH SUCH AGREEMENT -- WAS NEGOTIATED THIS YEAR AND WILL BE OPEN FOR SIGNATURE UNTIL APRIL 30, 1976. THE NEW AGREEMENT FOLLOWS CLOSELY ON THE LINES OF THE PRESENT AGREEMENT. IT PROVIDES FOR BUFFER STOCK OPERATIONS TO MAINTAIN TIN PRICES WITHIN A GIVEN RANGE. MEMBERSHIP OF THE PRESENT AGREEMENT INCLUDES 6 DEVELOPING PRODUCING COUNTRIES: MALAYSIA, THAILAND, INDONESIA, BOLIVA, NIGERAI AND ZAIRE; PLUS AUSTRALIA. EXCEPT FOR THE U.S., ALL IMPORTANT CONSUMERS OF TIN (22 IN NUMBER) ARE PRESENTLY MEMBERS OF THE AGREEMENT, INCLUDING THE USSR. ALL ATTENDED THE NEGOTIATING CONFERENCE AND ARE EXPECTED TO SIGN THE AGREEMENT ALONG WITH THE PRODUCERS.

QUESTION: WHY HAS THE U.S. NOT BEEN A MEMBER OF THE PRESENT TIN AGREEMENT OR OF ITS PREDECESSORS?

ANSWER: ALTHOUGHT THE U.S. PARTICIPATED IN THE NEGOTIATION OF THE TIN AGREEMENTS, IT HAS NEVER JOINED THE AGREEMENT, IN MAJOR PART BECAUSE OF THE OPPOSITION OF THE U.S. TIN CONSUMING INDUSTRIES.

QUESTION: WHY IS THE U.S. PREPARED TO JOIN THE NEW TIN AGREEMENT?

ANSWER: WE BELIEVE THE SEVERAL SUCCESSIVE TIN AGREEMENTS ARE A GOOD EXAMPLE OF EFFECTIVE PRODUCER/CONSUMER COOPERATION WHICH HAS ENDURED FOR NEARLY 20 YEARS. U.S. PARTICIPATION WOULD STRENGTHEN THIS COOPERATION.

THE TIN AGREEMENT THROUGH ITS BUFFER STOCK INFLUENCES THE PRICE OF TIN ON THE WORLD MARKET. U.S. CONSUMERS MUST PAY THE INTERNATIONAL MARKET PRICE OF TIN WHETHER OR NOT WE PARTICIPATE IN THE AGREEMENT. MEMBERSHIP WOULD GIVE THE U.S. AN IMPORANTNT VOICE IN DECISIONS OF THE

TIN COUNCIL.

OUR WILLINGNESS TO JOIN THE TIN AGREEMENT NOW
DEMONSTRATES THAT OUR POLICY OF EXAMINING COMMODITY
ARRANGEMENTS ON A CASE-BY-CASE BASIS IS A POSITIVE POLICY
AND NOT A DODGE. WE BELIEVE THERE IS A GOOD CASE FOR A
BUFFER STOCK AGREEMENT TO STABILIZE THE TIN MARKET, AND
WE THINK THE INTERNATIONAL TIN AGREEMENT CAN HELP TO DO THIS.
QUESTION: WILL THE UNITED STATES CONTRIBUTE TO THE FINANCING
OF A TIN BUFFER STOCK?
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ANSWER: THE TIN AGREEMENT DOES NOT REQUIRE CONSUMER
MEMBERS TO CONTRIBUTE TO THE FINANCING OF THE BUFFER STOCK.
SUCH CONTRIBUTIONS ARE COMPULSORY FOR PRODUCER MEMBERS
ONLY, ALTHOUGH CONSUMER MEMBERS MAY MAKE VOLUNTARY
CONTRIBUTIONS IF THEY SO DESIRE. DURING THE NEGOTIATION
OF THE FIFTH TIN AGREEMENT, THE ISSUE OF COMPULSORY
CONSUMER (AS WELL AS PRODUCER)
FINANCING OF THE BUFFER STOCK WAS THE SUBJECT OF INTENSIVE
AND PROLONGED DISCUSSION. THE U.S., TOGETHER WITH MOST OTHER
CONSUMING COUNTRIES, OPPOSED COMPULSORY FINANCING OF THE
BUFFER STOCK, AND POINTED OUT THE OBSTACLES THIS WOULD
POSE TO POSSIBLE U.S. PARTICIPATION IN THE AGREEMENT.
QUESTION: DO YOU EXPECT INDUSTRY SUPPORT OR OPPOSITION?
NOT FAVORED U.S. PARTICIPATION IN THE TIN AGREEMENT. WE ARE
CONTINUING OUR CONSULTATIONS WITH THEM AND HOPE
THEY WILL RECOGNIZE (1) THAT THEIR ECONOMIC INTERESTS WILL
NOT BE ADVERSELY AFFECTED AND (2) THAT THERE ARE SIGNIFICANT
POLITICAL BENEFITS TO BE GAINED.

QUESTION: THE SECRETARY SAID WE WILL RETAIN THE RIGHT
TO SELL FROM OUR STRATEGIC STOCKPILES. ISN'T
THIS CONTRARY TO THE SPIRIT AND LETTER OF THE
AGREEMENT?

ANSWER: WE WOULD HAVE NO OBLIGATION UNDER THE TIN
AGREEMENT TO REFRAIN FROM SALES FROM OUR STOCKPILE. WE
HAVE DISPOSED OF PART OF OUR EXCESS TIN STOCKPILE IN RECENT
YEARS AND WILL CONTINUE TO DO SO AFTER WE SIGN THE TIN
AGREEMENT. HOWEVER, AS A MATTER OF LAW AND POLICY, WE DO
NOT DISPOSE OF ANY STOCKPILED MATERIALS IN A MANNER THAT
WOULD DISRUPT THE COMMODITY MARKET OR WITHOUT
CONSULTING WITH OTHER AFFECTED COUNTRIES.

INTERNATIONAL COFFEE AGREEMENT

QUESTION: WHEN ARE THE COFFEE NEGOTIATIONS EXPECTED TO
RESUME AND CONCLUDE?

ANSWER: COFFEE NEGOTIATIONS ARE SCHEDULED TO RESUME
AT THE INTERNATIONAL COFFEE ORGANIZATION IN LONDON EITHER
THE LAST WEEK OF OCTOBER OR THE FIRST WEEK OF NOVEMBER FOR
THREE WEEKS. WE ARE HOPEFUL A NEW INTERNATIONAL COFFEE
AGREEMENT CAN BE CONCLUDED AT THAT MEETING. WE HAD AGREEMENT,
IN PRINCIPLE, ON MAJOR ISSUES AT THE MOST RECENT MEETING
WHICH ENDED IN JULY. AT THAT TIME THE MAJOR PROBLEM WAS
THE PRODUCING COUNTRIES' DIFFICULTY IN REACHING AGREEMENT

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AMONG THEMSELVES ON THE DIVISION OF BASIC MARKET SHARES FOR EXPORT QUOTAS. IF PRODUCERS WORK THIS PROBLEM OUT PRIOR TO THE NEXT MEETING, AS WE BELIEVE THEY WILL, WE SEE FEW OBSTACLES TO SUCCESSFUL CONCLUSION OF THE NEGOTIATIONS.

QUESTION: WHAT EFFECT HAS THE BRASILIAN FROST AND HIGHER COFFEE PRICES HAD ON U.S. ATTITUDES TOWARD A NEW INTERNATIONAL COFFEE AGREEMENT?

ANSWER: NONE THUS FAR. IF ANYTHING, THE OUTLOOK FOR CLOSE SUPPLY/DEMAND BALANCE FOR THE NEXT SEVERAL YEARS REINFORCES THE NEED FOR DIALOGUE AND COOPERATION BETWEEN PRODUCERS AND CONSUMERS. WE RECOGNIZE THAT COFFEE PRICES WILL BE SOMEWHAT HIGHER THAN IN THE PAST AS THE MARKET REACTS TO THE SUPPLY OUTLOOK. HOWEVER, WE THINK BOTH PRODUCERS AND CONSUMERS HAVE AN INTEREST IN AVOIDING, TO THE EXTENT POSSIBLE, A SITUATION WHERE PRICES RISE SO HIGH AS TO PERMANENTLY DISCOURAGE COFFEE CONSUMPTION, AND LATER DROP SO LOW AS TO DISCOURAGE MAINTENANCE OF NORMAL PRODUCTION. MOST PRODUCING COUNTRIES SHARE OUR VIEW, WE BELIEVE, AND WE SHOULD BE ABLE TO REACH A REASONABLE AND MUTUALLY BENEFICIAL ARRANGEMENT.

IMF BUFFER STOCK FINANCING FACILITY

QUESTION: THE SECRETARY SAID THE U.S. SUPPORTS LIBERALIZATION OF THE IMF FACILITY FOR BUFFER STOCK FINANCING, "WITHOUT ENCUMBERING OTHER DRAWING RIGHTS"...WHAT DOES THIS MEAN?

ANSWER: UNDER THE IMF'S BUFFER STOCK FACILITY, MEMBERS OF THE IMF THAT ARE IN BALANCE OF PAYMENTS NEED MAY DRAW FROM THE FUND FOR THE PURPOSE OF FINANCING THEIR CONTRIBUTIONS TO QUALIFIED INTERNATIONAL BUFFER STOCKS. AT THE PRESENT TIME, DRAWINGS ON THE BUFFER STOCK FACILITY REDUCE A MEMBER'S "GOLD TRANCHE" POSITION, WHICH IS TREATED AS PART OF A COUNTRY'S MONETARY RESERVES SINCE IT CAN BE DRAWN AUTOMATICALLY. THE LIBERALIZATION THE SECRETARY REFERRED TO WOULD MAKE IT POSSIBLE FOR A MEMBER TO DRAW ON THE FACILITY WITHOUT IN ANY WAY AFFECTING ITS AUTOMATIC DRAWING RIGHTS IN THE IMF, THAT IS, ITS GOLD TRANCHE.

THE EXECUTIVE DIRECTORS OF THE FUND HAVE AGREED TO AN AMENDMENT TO THIS EFFECT AS PART OF THE GENERAL AMENDMENTS WHICH ARE NOW BEING NEGOTIATED.

WORLD BANK GROUP INVESTMENT IN THE MINERAL SECTOR

QUESTION: WHY HAS THE WORLD BANK NOT BEEN ACTIVE IN THIS
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SECTOR PREVIOUSLY?

ANSWER: THE WORLD BANK HAS FINANCED PROGRAMS IN THE MINERAL SECTOR IN THE PAST. RECENT DEVELOPMENTS, HOWEVER, DEMONSTRATE A NEED FOR VERY LARGE FUTURE INVESTMENT IN MINERALS PRODUCTION WHILE AT THE SAME TIME THE SECURITY OF

PRIVATE INVESTMENT IN MANY COUNTRIES IS OF INCREASED CONCERN TO INVESTORS. WE BELIEVE THAT THE WORLD BANK GROUP, WORKING IN CONCERT WITH PRIVATE CAPITAL, WILL BE BETTER ABLE TO ENSURE THAT ADEQUATE INVESTMENT, BOTH PRIVATE AND PUBLIC, OCCURS IN THIS SECTOR.

QUESTION: WHY SHOULD THAT U.S. GOVERNMENT SUPPORT THIS PROGRAM WHICH CAUSES THE MINERALS SECTOR TO BE SOCIALIZED?

ANSWER: WE DO NOT BELIEVE WORLD BANK GROUP FINANCING IN THE MINERALS SECTOR WILL ENCOURAGE IT TO BE SOCIALIZED. IN THE BULK OF CASES WHERE PRIVATE OR PUBLIC FINANCING CAN DO THE JOB, THE WORLD BANK WOULD NOT BE INVOLVED AT ALL. BUT THERE WILL BE OTHERS WHERE LACK OF FINANCING COULD ENDANGER TIMELY DEVELOPMENT OF MINERAL RESOURCES IN SOME DEVELOPING COUNTRIES. WE BELIEVE THAT THE WORLD BANK SHOULD IN SUCH CASES SO STRUCTURE ITS FINANCING AS TO ENSURE, AND PROVIDE ENHANCED STABILITY FOR, MAXIMUM OPPORTUNITIES FOR PRIVATE PARTICIPATION.

QUESTION: HOW MUCH HAS THE WORLD BANK GROUP COMMITTED TO THE MINERALS SECTOR?

ANSWER: BEFORE 1973, TOTAL BANK GROUP COMMITMENTS IN THE SECTOR AMOUNTED TO LESS THAN 750 MILLION DOLLARS, ROUGHLY 2 PERCENT OF IBRD/IDA COMMITMENTS AND 10 PERCENT OF IFC COMMITMENTS.

IN 1973 THE BANK BOARD OF DIRECTORS AGREED TO AN EXPANSION TO THE LEVEL OF 100-120 MILLION DOLLARS PER YEAR DURING 1975-79. DEVELOPMENTS SINCE HAVE CONFIRMED THAT THE BANK GROUP COULD USEFULLY INCREASE SUBSTANTIALLY THIS TARGET LEVEL OF FINANCING FOR THE MINERALS SECTOR.

UN REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

QUESTION: WHAT IS THE UN REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION TO WHICH THE U.S. PLANS TO CONTRIBUTE?

ANSWER: THE REVOLVING FUND BECAME OPERATIONAL IN JUNE OF THIS YEAR IN RESPONSE TO AN EARLIER UN GENERAL ASSEMBLY RESOLUTION. ITS PURPOSE IS TO HELP LDCS EXPLORE THEIR UNCLASSIFIED

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NATURAL RESOURCES, USING SUCH TECHNIQUES AS FIELD RECONNAISSANCE TEAMS. THE FUND WILL EXPLORE FOR NATURAL RESOURCES IN APPROXIMATELY 40 DEVELOPING COUNTRIES OVER THE NEXT 5 YEARS, CONCENTRATING IN THIS PERIOD ALMOST EXCLUSIVELY ON LOCATING AND EVALUATING SOLID MINERALS.

QUESTION: HOW DOES THE FUND REVOLVE?

ANSWER: WHEN A POSSIBLE DEPOSIT IS FOUND BY A FUND TEAM, AND EXPLOITED, THE HOST COUNTRY IS REQUIRED TO REPAY TO THE FUND 2 PERCENT OF THE GROSS VALUE OF THE MINERAL ORE MINED OVER A PERIOD OF 15 YEARS.

QUESTION: ARE OTHER COUNTRIES CONTRIBUTING TO THE FUND?

ANSWER: JAPAN HAS ALREADY CONTRIBUTED 5 MILLION DOLLARS AND THE NETHERLANDS' FIRST CONTRIBUTION IN 1974 TOTALED 400,000 DOLLARS. THE EXPRESSED INTEREST,

FORMALLY OR INFORMALLY, IN SUPPORTING THIS NEW FUND.

QUESTION: ARE INTERNATIONAL METAL CORPORATIONS OPPOSED TO THIS NEW FUND?

ANSWER: THE FUND SHOULD INCREASE THE WORLD'S KNOWLEDGE OF THE LOCATION AND MAGNITUDE OF MANY HARD METALS. IN THE LONG RUN THE FUND SHOULD EXPAND THE OPTION OPEN TO INTERNATIONAL CORPORATIONS FOR FOLLOW-ON EXPLOITATION OF HARD MINERAL RESOURCES. PRIVATE MINERAL SURVEY FIRMS ARE EXPECTED TO PLAY AN IMPORTANT ROLE IN THE FUND FIELD EXPLOITATION PROGRAM.

QUESTION: HOW WILL THE UNITED STATES CONTRIBUTE TO THE FUND?

ANSWER: THE UNITED STATES WILL CONTRIBUTE AS PART OF ITS ANNUAL CONTRIBUTIONS FOR INTERNATIONAL ORGANIZATIONS AND PROGRAMS.

THE POOREST DEVELOPING COUNTRIES

QUESTION: WHAT ARE THE SECRETARY'S PROPOSALS FOR HELPING THE POOREST DEVELOPING COUNTRIES?

ANSWER: THE SECRETARY CALLED FOR PREFERENCE TO THE NEEDS OF THESE COUNTRIES FOR ELEMENTAL ECONOMIC SECURITY AND IMMEDIATE RELIEF OF SUFFERING BY SUCH MEASURES AS:

- THE ESTABLISHMENT OF A TRUST FUND IN THE IMF TO PROVIDE UP TO 2 BILLION DOLLARS ANNUALLY FOR EMERGENCY RELIEF.

- CONVERSION TO GRANTS, UNDER CERTAIN CONDITIONS, OF THE LOANS OF THE POOREST LDCS FROM THE NEW DEVELOPMENT SECURITY FACILITY IN THE IMF.

- PROVISIONS IN THE BUDGET FOR INCREASED FOOD AID,

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INCLUDING ALMOST 6 MILLION TONS OF FOOD GRAINS IN THIS FISCAL YEAR.

- A MAJOR INTERNATIONAL EFFORT TO REDUCE POST-HARVEST FOOD LOSSES.

- A NEW APPROACH TO BASIC HEALTH SERVICES AT THE COMMUNITY LEVEL, COMBINING MEDICAL TREATMENT, FAMILY PLANNING, AND NUTRITIONAL INFORMATION.

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